GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:500
ANSWERED ON:20.04.2001
GLOBAL TRUST BANK
PRABHUNATH SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Global Trust Bank has invested much more money than permitted amount in the stock market;

(b) whether it is also a fact that with the help of a share broker the bank pushed up its share value in the market; and

(c) if so, the manner in which this will affect the merger of Global Trust Bank with UTI bank and the action the Government propose to take against the bank in this regard?

Answer

MINISTER OF FINANCE (YASHWANT SINHA)

(a) to (c): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO STARRED QUESTION NO. 500 (PRIORITY NO. 20) FOR 20th APRIL, 2001 REGARDING GLOBAL TRUST BANK

(a) The regulatory norms regarding banks` exposure to capital markets are as follows : Banks are permitted to invest in shares, convertible debentures and units of mutual funds through primary or secondary market subject to a limit of 5% of the bank`s total advances in domestic credit as on 31st March of the previous year. As regards advances against shares to individuals, stock brokers, market makers and for Initial Public Offerings (IPOs), these should be within the ceilings set by the respective boards of the banks. The guarantees given to stock exchanges on behalf of such brokers are also to be included in the said ceiling set by the boards. Reserve Bank of India (RBI) has intimated that Global Trust Bank has not violated the norms for investments. However, there appears to be a marginal violation of the limit set by the bank`s board.

(b) The Securities and Exchange Board of India (SEBI) has intimated that preliminary investigations carried out so far has revealed that entities connected/controlled by Ketan Parekh were prime facie involved in rigging prices of Global Trust Bank shares during the period of October, 2000 to January, 2001. Further, it has been noticed that Global Trust Bank has provided loans and overdrafts to broking concerns and investment companies of Ketan Parekh to the extent of about Rs. 250 crores.

(c) A proposal for the merger of Global Trust Bank with UTI Bank was filed with RBI. One of the parameters for deciding the swap ratio of shares was the market price of Global Trust Bank and UTI Bank. RBI is the deciding authority in the matter of bank mergers and SEBI had informed RBI of prima facie price manipulation in the Global Trust Bank scrip. This merger has been called off now as Global Trust Bank has withdrawn its request for the proposed merger.